99824-5

25X1A

DECLASS REVIEW by NIMA/DOD

16 March 1967
Ref: LJC 660-1674

Post Office Box 8043
Southwest Station
Washington, D.C. 20024

25X1A

Attention:

Contracting Officer

25X1A

Subject:

Request for Increase in Funding

25X1A

Reference: 1.   letter, reference LJC 592-1674,
dated 12 December 1966, to   25X1A

25X1A   2.   letter dated 13 February 1967

Dear Sir:

In my transmittal letter (reference #1) returning the executed copy of
Amendment No. 5 of the subject contract, I stated that the total contract "Amount"
should be   in lieu of the stated amount of   and in a   25X1A
telephone conversation with your   it was agreed that the next   25X1A
contract amendment would state   as the target sales price.   25X1A

In response to   letter (reference #2), our monthly
review of the project brings us to the conslusion that at our "best estimate" to
complete we must anticipate an expenditure of   beyond the present   25X1A
contract target cost of approximately   25X1A

The causes for these unanticipated expenditures are based on many
contributing factors, but essentially they are attributed to the following areas:

1.   Company Engineering Overhead, Factory Overhead and
General & Administrative adjustments for the years 1964,
1965, 1966 and 1967. It should be noted that the burdens
and G&A actually experienced in years 1964 into 1967 were
significantly different than those quoted, for forward pricing
purposes, in all of our proposals.

EXCLUDED FROM AUTOMATIC
REGRADING: DOD DIR 5200.10
DOES NOT APPLY

25X1A

Contracting Officer

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2. An extended amount of Program Office effort was
necessary to insure timely receipt of vendor parts
and material. At the time this equipment was proposed,
prior to the Southeast Asia situation, the company was not
faced with the various vendor problems and delays that we
have seen in the past two years. In 1964, vendor parts
could be delivered from stock or within a time period such
as two weeks. These same parts are now taking six weeks
to be received after much expediting. Vendor parts that
were previously quoted as six weeks delivery are now being
delivered from twelve to eighteen weeks. Many times parts
expeditiously received are not as per drawing, and due to
schedule requirements, we have to accept these parts and
rework them in house to make them meet our requirements.
All these factors have resulted in extra vendor liaison,
monitoring and expediting, and in house rework of vendor
parts that were not previously anticipated.

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Based on our most recent financial analysis, it is now estimated
that we are able to continue work until 1 May 1967, with the use of

25X1A

at which time we will reach the present contract target cost

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Contracting Officer

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In order to continue the present contract beyond 1 May 1967, we therefore are requesting that the contract total "Amount" and funding be authorized to the contract ceiling price of [   ] and be made available to the program by 1 May 1967.

25X1A

Very truly yours,

25X1A

Contracts

LJC/cc